Abstract

The implementation of programme-targeted method in the budget process in Ukraine demonstrates the difference between public administration using programs (budget programs) and based on programme management. The budget program has the structure of a programme document, but the content corresponds to the reformatting line-item budget. There are two main problems of application of the programme management methodology in fiscal policy: a sequence of programme objectives and heterogeneity of time. For fiscal policy the selection and distribution of programme objectives (results, effects) in space and time is a key component of management. Despite the complexity and uncertainty of any calculation of the programme product cost should take into account that the sequence of the outcomes affects the total programme result. In this context, the choice of performance, productivity and efficiency indicators based on different time of occurrence and characteristics of the result, product and effect of the financial instruments use to govern financial mechanism as part of the programme management. Results should be evaluated on the ability to become a product that takes effect. The effect of the financial tools application is spaced in time from the result. Efficiency should not be understood as a ratio, but as the correlation with the anticipated cost (value) remote effect, which does not coincide with the result of the programme delivered on time.

Keywords: Programme Management; Public Budgeting; Financial Mechanism; Fiscal Policy
1. Introduction

The complexity of the global economic situation, the uncertainty of financial stabilization regulatory mechanisms and recovery from the global crisis, strengthen the requirements on the results of the programme management of public finance and programmes aimed at reforming the economy and achieve sustainable development.

Implementation of stabilization programs and, especially, economic reform requires the establishment of a single financial mechanism, demonstrating the unity of the forms, methods and tools of financial management in accordance with the financial policy objectives and economic and social development.

2. Background of the public programme management study

The practice of program-targeted method in the budget process by the Ministry of Finance of Ukraine (Ministry of Finance of Ukraine site information, 2013) makes possible the implementation and adaptation of programme management, since all the significant changes in the system of production, distribution, redistribution and consumption in the sovereign space are mediated by the state. Directly or indirectly, the state spends funds on the basis of budgetary programs to provide the product or to maintain the function of the state through the services.

The programme method allows to establish a system of public financial management (fiscal policy) as an element of economic management (economic policy). However, the process of setting goals for public budgeting and fiscal policy has a special feature: not all goals are achieved through the use of financial instruments, but all goals are provided with funds of the financial mechanism. For example, «Transport Strategy of Ukraine for the period of up to 2020» (Support to the Integration of Ukraine in the Trans-European Transport, 2010) defines the entire set of results for the relevant budget programs.

3. Approach to study

The value of the program management implementation in the state budget and fiscal policy is the ensuring a holistic approach to the management of the financial mechanism of the different type and level programmes. However, the financial mechanism as such does not produce the results of the programmes. The programme financial mechanism purpose is to ensure the implementation by the accumulation and distribution of funds.

Consequently, the effective implementation of budgetary programs requires a methodologically correct state budget management based on programme method, namely: the single source for managing and sharing programs into supporting group (focused on financing goal) and developing group (focused on efficiency).

Line-item, program, targeted, result-oriented techniques in the management of the budget process focused on the result as an object of financial planning, control, and evaluation of effectiveness. At various times the result has a different name: goal (the expected result), product (produced results), effect (final result) (Figure 1). In this context, the programme budget as a policy document is to establish the connection between the result of a period and the required funds.

For the development of the budget programmes methodologically important to solve the difficult problem of determining the effect, resulting from the use of the product produced. The importance of the elements is determined by the programmes themselves: performance indicators and quality. This problem has three aspects:

- effect determination;
- time parameters determination;
- evaluation of the program's cost.

The first aspect. Effect - a consequence of the product program. But ad hoc... Performance indicators are a priori proof of the value delivered. The spatial aspect - the location and ambience, communication is crucial. For a program as such the sequence of the objectives and the preparation of products and effects (direct and indirect) should be critically important, because the programme goal is holistic (Ohara, 2005).

The programme goal is made when the last product is ready. The final effect of the program is not just a cumulative effect of products of the program - it should have the same holistic as the goal of the programme.
Fig. 1. The sequence of results

The programme goal will determine the correct selection and distribution of sub-goals and objectives to be implemented by the programme management methodology based on project and programme management, which is associated with the following:

- The implementation of government programs requires a contractual relationship between the state and the direct executor (contractor), in which the contract acts as a financial instrument for the programme implementation, determining the content of the relationship of the key stakeholders, constraints, assumptions and exceptions needed to control processes, from receipt of the contract subject.

- Contract price, or more precisely, the contract price formula, determines the monetary equivalent of the product, and the degree of flexibility and resilience components of the pricing formula. However, the customer sees the price of the contract price of the product in the first place, which he orders. The price of the contract to the contractor should be adequate to the price of participation in contractual relations, as the contractor has an own assets portfolio.

If the value of the portfolio can be expressed as a simple sum of the values of its constituent elements, the cost of projects portfolio managing is beyond the scope of the project cost (contract price). Therefore, a contractor with a portfolio of contracts Lump Sum EPC is very important to have provisions, contingency and insurance cost.

The second aspect. The notion of time for programme management in the public finance has special characteristics. Formally, all programmes (strategy) duration are set in the title. Detailed policy documents contain an indication of the time of the preparation of products and monitor implementation. However, the question is still relevant: Is it possible to get the desired effect at the scheduled time? Budget programs are set duration - fiscal period.

Fiscal period sets the inflexibility for calculations, since getting programme product does not fall perfectly within the budget process intervals (Figure 2). It’s kind of technological problem of financial planning for the public finance. The need to take into account the fiscal periods is an essential component of time management, if the state is an interested party. Fiscal control is focused on the feasibility. The effectiveness assessment is focused on the viability.
The heterogeneity of time in programming for budgetary and fiscal policy caused by a combination of economic cycles with different content and duration and the time lags of economic policy.

It should also be noted that the management of economic policy carried out against the background of the economic cycles of different nature and duration of that impact identification and evaluation of the results and effectiveness of the planning and implementation of development programs over time and the estimated lag.

Problems arise from the program management of the economy at the same time stay in different phases of the economic cycle and the time lags of different duration. Defining the elements of economic (including financial) policy, namely the indicators, benchmarks, tools, intermediate and final goals - to consider not only the risk assessment as reducing uncertainty.

Systemic, systematic and specific processes that are taking place with the management object at the same time, lead to the fact that the expected results do not have the necessary efficiency. An important factor is the way to determine the system structure of the programme objectives, indicators, performance indicators and efficiency programmes (e.g., budget programmes). As a consequence of the financial mechanism of the programme management of the economy will be the basis for determining the appropriate methods and tools for planning, management, monitoring and evaluation processes of creation and use of financial resources.

Sliding eliminates most of the effects of uncertainty, but the period of calculation is set for fiscal periods (Figure 2).

The third aspect. The presence of severe restrictions in the budget deficit, budget sequester and austerity does preferred projects and programs in which quality results must be received in hard budget constraints and financial control. However, no funds (financial resources) determine the content of the program objectives. The quest for austerity in the budget programmes results in time and funds loss. This is especially noticeable in programs with the form of the contract, when in many ways minimized the contract price and the originally intended commercial impossibility of performance. Such contracts are no reserves, contingency, but there is a discount equal to the contract profit.

Determining the programme cost as the sum of the cost of contracts leads to an error in determining the cost. The source of error is the formulaic representation of the structure of the budget. It should take into account that, as

![Diagram of Programme Projects Distribution](image-url)
such, the price of the project product and project price - not the same thing. In the programme there is the additional variance caused by the fact that the price (cost) of the programme is not a simple sum of the costs of the projects.

If the project management process coexist with product creating management, each of these processes has its own, complementary to each other, the result. Therefore, when evaluating the cost of the result of each of these processes is necessary to identify the variable and fixed costs, as in each of these processes requires skilled personnel.

Cost structure, the ratio between its elements (items) and their distribution in time determine the sensitivity of the programme to external (exogenous) factors:

- determination of the cost of the program the above manner will allow the determination of the contract price, availability or cost limitations of risk events to allocate elastics programme prices that allow compression (decrease) in value or redistribution of maintaining unchanged the other parameters of the programme.
- variable and fixed costs in each of the process facilitates the identification and evaluation of provisions, including provisions for contingencies.
- such a programme price structure makes it possible justification for the critical limits of price change and its components. Unfortunately, it is impossible to normalize the proportion of the cost of different processes in programme management. However, by itself the increase or decrease of the cost management processes in the total cost of the programme is neither a confirmation nor guarantee the success and effectiveness as programme management and the actual programme.

Thus, regardless of the type of contract, project and program a full valuation (price) of their stated activities is a collection of permanent (fixed) and variable costs to obtain the result stated in the project (program) actions.

4. Conclusion

The successful implementation of development programs depends on the ability of key stakeholders to build a management system so that the common goal was achieved infinite set of concrete actions. Public service is a unique interested person, personifying the public interest. Therefore, the method of application of the programme in the public finance must be balanced by the use of appropriate methodology management - programme management. Palliative solution provides palliative result. Programme management of government development programmes requires a unified, coordinated management. Only a single centre in a state of “seeing” the sequence of goals that promote each other, reducing the loss of time and funds.

References

